

SUBMISSION

TO

MACKENZIE VALLEY PIPELINE INQUIRY

UNDER

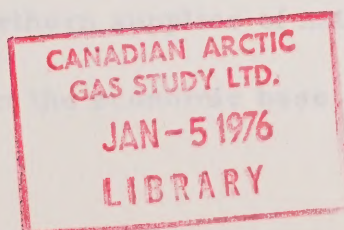
MR. JUSTICE THOMAS R. BERGER

COMMISSIONER

AT

OTTAWA, ONTARIO

JUNE 4, 1976



Stelco is well aware of the complexities of the oil and natural gas supply/demand situation which is receiving a great deal of attention in Canada today by many parties. It is a very serious matter because it affects the future of all Canadians.

Stelco agrees with the National Energy Board contentions that domestic oil and natural gas demand will outstrip domestic supply in the foreseeable future, if the latter is dependent on current Western Canada sources alone. The options open to Canadians --

On the Supply Side are	to develop and transport natural gas
	and, eventually, oil from the
	Arctic areas
	or increase dependence upon other
	countries for oil and liquified
	natural gas.
and On the Demand Side	- conservation
	or reduction of industrial growth
	and employment opportunities.

Dependence upon other countries and reduction in industrial growth and employment opportunities are not, in our opinion, in the best interests of Canada. In Stelco's opinion, it will take a combination of both conservation and development of northern supplies of natural gas and oil in order not to drastically affect the economic base of the country.

Stelco is well aware of the complexities of the oil and natural gas supply/demand situation which is reaching a great deal of attention in Canada today by many parties. It is a very serious matter because it affects the future of all Canadians.

Stelco agrees with the National Energy Board's contention that domestic oil and natural gas demand will increase with domestic supply in the foreseeable future. It is the Board's mandate to report on the Western Canada resource alone. The options open to Canadians --

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As a major consumer of all forms of energy, Stelco's concern about continuity of supply of natural gas has been documented with the National Energy Board. However, certain statements bear repeating.

In its Statement of Interest to the National Energy Board relevant to the Mackenzie Valley Pipeline Hearing, which was submitted on June 23, 1975, Stelco asserted that it "has an interest in supporting the principle that natural gas should be moved to markets in southern Canada by the pipeline system which will provide the lowest transportation costs." Also that "Stelco supports any proposal to move natural gas found in the Canadian Arctic to Canadian customers as expeditiously as possible."

Appearing before the National Energy Board's natural gas supply and deliverability hearings in 1974, Stelco indicated the scope of its role in serving 3,500 corporate customers situated in Canada from coast to coast. In 1975 terms, Stelco produced about 40% of Canada's total steel output or about 5.4 million tons. Stelco's personnel numbered 23,200 whose engagement involved outlays of \$402,000,000. In 1975, its expenditures for goods, supplies and services with 7,500 suppliers was \$602,000,000. Natural gas purchases averaged 63 million cubic feet per day or about 23 billion cubic feet during the year. The gas was furnished by Canada's six major distributors from Alberta to Quebec.

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Stelco's use of natural gas began in a major way in 1958, at Hamilton. By 1962 Western natural gas was in use in blast furnace, open hearth, annealing, galvanizing, forming and finishing operations. Entire process units were designed to use natural gas exclusively and cannot function on any other readily available energy source.

The clean burning qualities of natural gas are of environmental significance to communities in which industrial plants are situated. Natural gas enables Stelco to meet present provincial government environmental standards applicable to the emission of deleterious substances. Since 1960, Stelco has spent or committed \$197,000,000 for capital equipment for adherence to environmental standards and it foresees additional capital outlays for this purpose. Use of natural gas provides an essential contribution unmatched by any other energy source to the continued realization of environmental standards. Natural gas is therefore vitally important to Stelco.

Metallurgical coal is the source of 68% of Stelco's total energy needs. Natural gas is the source of 21%, refined petroleum provides 6% and 5% is supplied by electrical power. About one-third of all natural gas employed by Stelco is devoted to processes which are not adaptable to alternate energy sources.

The United States is the source of nearly all the 3,500,000 tons of metallurgical coal which Stelco employs annually. Stelco is endeavouring to reduce this dependence on outside sources by utilizing Nova Scotia and Western coal for its future needs but this development will take place over a number of years. The U.S. is also the source of the bulk of the steam coal which is employed in electrical power generation in Ontario. If domestic supplies of oil and gas are allowed to diminish, it can be readily seen that Stelco would be even more dependent on imports for its energy needs. Natural gas from Arctic regions offers a viable solution to counteract this trend.

Much is spoken and written about the early benefits to be expected from energy developed from solar and geothermal sources and from synthetic fuels. The United States Federal Energy Administration has cautioned that country thus:-

"Solar, geothermal and synthetic fuels will make only a small contribution to domestic energy supplies by 1985.

The major contribution from solar, geothermal and synthetic fuels will not be felt until after 1990"

Stelco agrees that a reduction in energy demand growth can be achieved in Canada through an aggressive approach to conservation by all parties. The magnitude of these savings will increase over the next decade, but in Stelco's opinion will not be sufficient to prevent curtailment of industrial growth and thus new jobs, or serious balance of trade problems for the country.

Canada's steel industry has been and will continue to be in the forefront of energy conservation.

Stelco, Algoma, Dofasco, Sidbec and Sysco have formed the Ferrous Industry Energy Research Association, slanted toward energy research and efficiency. At the Second Federal Conference on Industrial Energy Conservation, F.E.R.A. and a number of other industrial associations pledged themselves toward attainment of energy conservation goals. In its submission, F.E.R.A. stated in part:-

"The reputation of FERA companies for fuel efficiency is well-known in the world's steelmaking fraternity. Because iron must be extracted from its ore and because all steel processing must be done at ultra-high temperatures, the production of raw steel is energy intensive. As Canada's total steel production rises to meet forecasted growth in demand, the total energy required will increase. Conservation will favourable influence the extent of the increase."

"The FERA companies have a long history of energy conservation motivated by awareness that energy accounts for a substantial portion of the cost of doing business. They are committed to energy conservation in recognition of its being sound business and, as well, careful management of non-renewable natural resources.

"FERA's members unhesitatingly endorse and support government endeavours directed toward energy conservation. They are confident that, given government-industry co-operation in word and action, tangible energy advantages to all Canadians are attainable."

In addition to the foregoing on the supply and demand situation, some comments on the matter of steel pipe supply are appropriate. Concern has been expressed to this Inquiry as to whether Canada has the capability to furnish the steel pipe necessary for the construction of a large diameter, natural gas pipeline from the Arctic to markets in southern Canada. These concerns are understandable and deserve responses. However, as Canada's largest steelmaker and pipemaker, Stelco does not share these concerns.

The Canadian steel industry, particularly its basic producers, has substantial expansion programs underway. Stelco, as an example, will increase its production capacity by 1.35 million tons when its new steel plant at Nanticoke on Lake Erie comes on stream. Approximately 1,000 construction tradesmen are at work on the site. It is, therefore, Stelco's contention that enough basic steel will be available from Canadian sources to prevent any disruption in the normal supply of steel products to the Canadian market.

Stelco holds senior ranking amid North America's foremost pipemakers. It is known in the natural gas and oil transmission industry as a major producer of quality steel line pipe. Stelco-made steel line pipe is to be found in many of that industry's pipeline systems in both Canada and the United States. Stelco has an established and proven record of integrated quality content.

As to the availability of large diameter pipe, Stelco has placed in operation a new ultra modern mill capable of producing steel pipe up to 60" in diameter and wall thicknesses up to 1-1/8" from steel made to meet specifications designed for Arctic service. Stelco is convinced that, from experience, the daily output from this mill will be adequate to provide Canadian content in excess of 50% in any Northern pipeline project. More specific detail with regard to specifications, supply and timing will, no doubt, be key considerations in the deliberations of the National Energy Board.

Stelco would, however, at this time indicate that in the design of its new mill major considerations were given to the achievement of extremely high standards of product quality. A highly efficient test and inspection system occupies almost a third of the mill building. Modern ultrasonic and x-ray testing methods are applied. A brochure attached to this submission outlines this facility and its product in more detail.

Stelco is confident that it is fully capable of discharging those responsibilities which may be awarded to it in connection with any forthcoming northern natural gas transportation system.

In conclusion Stelco, with its long history of involvement in the development of natural resources and in constructing large projects, is convinced that capabilities and appropriate attitudes exist among Canadians which will allow for the achievement of a project such as the Mackenzie Valley Pipeline in a manner that will be socially, environmentally and economically acceptable to all Canadians no matter where they reside.

Toronto, Ontario

June 4, 1976

